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Utilities Division – Docket Control
1200 W. Washington Street
Phoenix, Arizona 85007

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Re: UniSource Energy Services Progress Report
Docket Nos. E-01032C-00-0751, G-01032A-02-0598, E-01933A-02-0914, E-01032C-02-0914, G-01032A-02-0914
A.C.C. Decision No. 66028

Pursuant to A.C.C. Decision No. 66028, UniSource Energy Services (“UES”) files this progress report on the negotiations to restructure the Pinnacle West Capital Corporation (“PWCC”) Power Supply Agreement (“PSA”). The high and volatile natural gas and power prices of the last two months and their effect on projected energy prices have limited the opportunities to renegotiate the PWCC PSA due to the comparably lower cost of the existing PSA.

Very truly yours,

LEWIS AND ROCA LLP

Thomas H. Campbell

cc: Ernest Johnson, Utilities Division Director
A.C.C. Compliance Manager
All Parties of Record